

PRESIDENT'S REPORT

Much of the staff activity during the past two months has revolved around the legislative session. As I have written to you earlier, the session came out quite well for postsecondary education despite a few bumps in the road. Our major objective going into the session was to support the operating and capital budget recommendations that you made and the Governor included in his budget as presented to the General Assembly late in January. Specifically, we wanted to sustain the benchmark approach to setting operating budgets for Kentucky public postsecondary institutions, get enough money to sustain the momentum of reform, and maintain a disciplined approach to capital outlay. We were quite successful in the first two objectives, coming out with slightly more operating money than you had recommended. But the general principles of a benchmark approach were maintained and we now can refine the approach in preparation for 2002.

There was more capital outlay than you recommended, especially in view of the surpluses throughout the system as measured by space planning guidelines. But the amounts are relatively modest compared to the significance of what this budget can accomplish: substantial renovations of existing space at the comprehensive universities, shared responsibility for research space at the University of Kentucky and the University of Louisville, and the beginning of a new KCTCS community technical college in northern Kentucky.

While successful in its outcome, the legislative session revealed profound differences in judgment about what it will take to accomplish significant improvement in Kentucky postsecondary education. I am convinced, even more today than I was two years ago, that Kentucky's public universities have to reshape themselves in fundamental ways if they are to provide the services Kentucky needs and, indeed, flourish as institutions. A little gradual change, a new curriculum here or a new building there, may alter the competitive balance among the universities. But it will not get the job done.

These differing views are unresolved today. It is good that the session helped get this disagreement out into the open. Now a lot remains to be done.

I need to mention in passing that Northern Kentucky University supported the creation of a new KCTCS community technical college in northern Kentucky. During discussions, I agreed that NKU should be protected against enrollment losses, if any occur, while it and the new college adjust their roles in relation to one another. We shall work out details with Presidents McCall and Votruba and present them for your consideration later this year. I do not think this is a major issue, but it is one that warrants careful consideration.

In other business unrelated to the legislative session, we have extended Kentucky's tuition reciprocity agreement with Illinois through June 2005 and with Tennessee through 2004. The current agreements include provisions for these extensions. We are net importers of students from these states: only about

20 from Illinois but about 500 from Tennessee. These agreements provide additional affordable opportunities for Kentuckians in border counties to attend postsecondary education institutions close to them.

We have received initial institutional responses to the program productivity review. We now shall begin discussing the responses with the universities (KCTCS will be done in odd-numbered years). We expect to have reports and possible actions for you at the July, November, and January 2001 meetings.

We continue to work with the KCTCS and the universities on a statewide engineering strategy. Council member Lee Todd has been very involved in discussions since your March meeting and has provided excellent guidance to the system. We intend to have a strategy ready for your consideration at the July meeting.

I traveled to Birmingham, England, in mid-April to address the annual meeting of the Higher Education Funding Council for England. The vice chancellors, who are the chief executives of the English universities, gather annually to discuss with HEFCE new initiatives and approaches to funding. I gave particular attention to distance learning and the community college movement in the U.S. The government has proposed creation of an “e-University” for England and also has proposed the creation of a new two-year “Foundation Degree” to be awarded by the universities. We talked a good deal about both subjects.

HEFCE and the English universities use enrollment-driven formulas to allocate resources appropriated by the government. One difference from this country is that enrollments are counted in the spring – at the end of the academic year – rather than at the beginning. Obviously, this puts a premium on retention, which is very high.

Green Flags

- The Council's funding recommendations were included in the enacted budget bill.
- The Council's recommendation that research buildings for UK and UofL be split-funded was included in the enacted budget bill.
- The enacted budget bill includes an additional \$3 million each year for the Early Reading Incentive Grant program and the Collaborative Literacy Center.
- The Council was assigned policy leadership and planning responsibility for adult education.
- The Council was assigned a substantial role in efforts to make Kentucky a stronger participant in the new knowledge-based economy.

Yellow Flags

- The enacted budget includes several community development projects that are not well defined in budget documents. Some of these may eventually be assigned to a postsecondary education institution, most likely the KCTCS.
- The enacted budget moved \$8 million in Enrollment Growth and Retention program funds from the second year to the first year of the biennium. This action reduces the recurring funding base in 2001-02 by \$8 million.
- The enacted budget does not include new funds to expand the SREB Faculty Diversity program or the Minority Student College Preparation program, or to fund the Early Mathematics Testing Program (House Bill 178). The Council staff agreed to fund these initiatives in 2000-02 from existing resources.

Red Flags

- The enacted budget bill includes funding for new buildings at ECU and WKU that are not justified based on space planning guidelines.
- The enacted budget allows UK to spend \$1 million of its agency funds to plan and design a new classroom building at LCC. LCC is governed by UK which has large amounts of classroom and laboratory space that is not used after 3 p.m. and on weekends. If a building is authorized eventually, it might be good to renovate existing space in downtown Lexington. This would help revitalize the core city and provide easier access to African American and Hispanic residents.